Supreme Court, U.S.
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No. 96-743

IN THE
Supreme Court of the United States
OCTOBER TERM, 1996

EMC CORPORATION,

Petitioner,

v.

NORAND CORPORATION,

Respondent.

On Petition For A Writ of Certiorari
To The United States Court of Appeals
For The Federal Circuit

REPLY BRIEF FOR PETITIONER

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Respondent Norand Corporation wholly fails to rebut EMC's showing that plenary review is warranted in this case. Indeed, Norand does not even deny that the legal analysis adopted by the court of appeals below is squarely inconsistent with the criteria applied by numerous other circuits in declaratory judgment cases. Moreover, Norand offers no meaningful response to the glaring inconsistency between the decision below and this Court's repeated recognition of the federal policy in favor of judicial resolution of patent disputes. And Norand is equally unable to refute EMC's demonstration of the growing circuit conflict over the extent to which district court discretion to dismiss declaratory judgment actions arising under federal law may be constrained by objective criteria. For all of these reasons, certiorari should be granted in this case.[1]

I. The Court Of Appeals' Rejection Of Objective Standards To Guide District Court Discretion Creates A Decisional Conflict Over The Proper Interpretation Of The Declaratory Judgment Act

As EMC explained in its petition, the decision below conflicts with three distinct lines of authority from other circuits. First, the court of appeals' virtual abdication of appellate review in declaratory judgment cases is irreconcilable with the two-factor test applied by the Second

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[1] Norand's description of what it characterizes as "undisputed facts" (Opp. i, 1, 9) is inaccurate in a number of respects. Indeed, despite its representation that its statement of the facts is drawn from "EMC's submissions" (Opp. 1), Norand instead offers its own version of contested facts based on self-serving affidavits filed by its own agents. *See, e.g.*, Opp. 3, 5 (citing C.A. App. A152-53, A174, A180-81, A182). There is no need to detail Norand's misstatements, however, because they cannot obscure the fundamental point that review is necessary to resolve the direct conflicts between the ruling below and the decisions of this Court and other courts of appeals.

Circuit and other courts in cases arising under the Declaratory Judgment Act. *See* Pet. 7-10. Second, the decision below conflicts with numerous circuit court decisions holding that the central policy of the Act is to prevent the accrual of avoidable damages. *See* Pet. 10-11. And third, the court of appeals' decision is contrary to the holdings of other appellate courts recognizing that declaratory relief is indisputably appropriate in the patent context. *See* Pet. 12-15.

Norand makes no effort to disprove the existence of these circuit conflicts. Norand does not challenge EMC's showing that the legal tests applied in other circuits are inconsistent with the standard enunciated below, nor does Norand dispute the fact that the result in this case would have been different had the court below adhered to the criteria that govern declaratory judgment actions in other circuits. Thus, it is uncontroverted that the Federal Circuit has now adopted a legal standard for review of dismissals of declaratory judgment actions that is irreconcilable with the standards applied by a majority of the other courts of appeals.

Unable to refute EMC's showing that the ruling in this case has produced multiple decisional conflicts, Norand instead asks this Court to ignore those disagreements among the circuits because, in its view, the conflicting decisions are "irrelevant" and of "doubtful validity." Opp. 10-14. Norand's contentions are without merit.

A. Decisions Of Other Courts Of Appeals Are Directly Relevant And Confirm The Need For This Court's Review

Norand first contends that decisions of other circuits are "irrelevant" because the Federal Circuit has exclusive jurisdiction over patent appeals. Opp. 10, 12. According to Norand, EMC conceded this point below when it argued that the Federal Circuit was not "bound" by regional circuit precedents. *Id.* at 11.

Norand's argument reflects a basic misunderstanding of the significance of the circuit conflicts identified by EMC. EMC is not contending that the Federal Circuit is "bound" by the declaratory judgment standards applied in other circuits. Rather, the point is that further review is warranted because the Federal Circuit has adopted an approach to declaratory judgment jurisdiction that conflicts with the standards enunciated by most other courts of appeals. The Federal Circuit is free to differ with other circuits in its interpretation of the Declaratory Judgment Act, but in so doing it creates a compelling need for plenary review by this Court. *See* Sup. Ct. R. 10(a).

Nor does the exclusivity of Federal Circuit jurisdiction over patent appeals undermine the significance of the circuit conflicts created by the ruling below. This petition is not predicated on arcane issues of patent law; rather, the crucial question decided by the court below concerns the legal standards for determining whether to exercise jurisdiction under the Federal Declaratory Judgment Act. Precisely the same question arises with considerable frequency in other federal courts across the Nation. Indeed, federal courts in non-patent cases routinely look to patent cases for guidance in construing the Declaratory Judgment Act, and if anything the arguments for exercising declaratory judgment jurisdiction are *stronger* in patent cases than in other areas of the law. Pet. 25-26; *see also* Pet. 12-18. Thus, the fact that this petition involves a patent case provides *additional* reasons for granting certiorari, but it does not undercut the significance of the existing decisional conflicts over the meaning and application of the Act.[2]

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[2] Contrary to Norand's apparent belief, this Court has frequently granted certiorari to resolve conflicts between the Federal Circuit and other circuits, despite the unique and generally exclusive nature of the Federal Circuit's jurisdiction. *See, e.g.*, *United States v. Thompson/Center Arms Co.*, 504 U.S. 505,

B. The Circuit Conflicts Cited By EMC Were Not Resolved By The *Wilton* Decision

Norand also errs in contending that the circuit conflicts identified by EMC are of no consequence because the conflicting decisions are "of doubtful validity" after this Court's decision in *Wilton v. Seven Falls Co.*, 115 S. Ct. 2137 (1995). The *Wilton* decision stands for two propositions of law: (1) that the discretionary standard announced in *Brillhart v. Excess Ins. Co. of America*, 316 U.S. 491 (1942), rather than the stringent "exceptional circumstances" test of *Colorado River Water Conserv. Dist. v. United States*, 424 U.S. 800 (1976), governs district court decisions to stay declaratory judgment actions during the pendency of parallel state court proceedings involving the same state-law issues; and (2) that district court decisions to exercise or decline declaratory judgment jurisdiction are reviewed for abuse of discretion. 115 S. Ct. at 2139, 2144. Neither of those propositions undercuts the validity of the decisions cited by EMC.

First, none of the decisions at issue was predicated on an erroneous application of the *Colorado River* "exceptional circumstances" test. To the contrary, the cases cited by EMC expressly recognize that declaratory judgment jurisdiction is discretionary.[3] Accordingly,

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508-09 (1992) (granting certiorari to resolve conflict between Federal Circuit's decision in a case within its exclusive jurisdiction and an earlier Seventh Circuit criminal case construing the same statute); *United States v. Morton*, 467 U.S. 822, 826 & n.3 (1984) (granting certiorari to resolve conflict between Federal Circuit decision and prior Fourth Circuit decision); *see also Ogilvie v. United States*, Nos. 95-966 & 95-977, slip op. at 2 (U.S. Dec. 10, 1996).

[3] *See, e.g., Youell v. Exxon Corp.*, 74 F.3d 373, 375-76 (2d Cir.), *cert. denied*, 116 S. Ct. 2514 (1996); *Starter Corp. v.*

they are entirely consistent with *Wilton*, which merely rejects the "exceptional circumstances" test without purporting to eliminate all objective criteria for determining whether to exercise declaratory judgment jurisdiction.

Second, while some of the cases cited by EMC applied a *de novo* standard of appellate review, others applied an abuse of discretion standard.[4] Regardless of the standard

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Converse, Inc., 84 F.3d 592, 597 (2d Cir. 1996) ("a district court's determination whether to exercise declaratory jurisdiction is denominated as discretionary"); *Nucor Corp. v. Aceros y Maquilas de Occidente, S.A. de C.V.*, 28 F.3d 572, 577 (7th Cir. 1994) ("The decision of the district court to grant declaratory relief is discretionary."); *ARW Exploration Corp. v. Aguirre*, 947 F.2d 450, 453 (10th Cir. 1991) ("'[w]hether to entertain a justiciable declaratory judgment action is a matter committed to the sound discretion of the trial court.'"); *Kunkel v. Continental Cas. Co.*, 866 F.2d 1269, 1273 (10th Cir. 1989) (same); *Interdynamics, Inc. v. Wolf*, 698 F.2d 157, 167 (3d Cir. 1983) (the Act grants "the district court the discretion whether to award declaratory relief"); *Alsager v. District Court of Polk County*, 518 F.2d 1160, 1163 (8th Cir. 1975) (the Act "granted the federal courts discretion"); *Hanes Corp. v. Millard*, 531 F.2d 585, 591 (D.C. Cir. 1976) ("a matter of judicial discretion"); *Broadview Chem. Corp. v. Loctite Corp.*, 417 F.2d 998, 1000 (2d Cir. 1969) ("'the trial court's decision to exercise declaratory jurisdiction is a discretionary one'"), *cert. denied*, 397 U.S. 1064 (1970).

[4] *See, e.g., Youell v. Exxon Corp.*, 74 F.3d at 376 (if district court exercised its discretion to dismiss, "we would again hold that a decision to dismiss the . . . declaratory judgment action constituted an abuse of that discretion"); *ARW Exploration Corp. v. Aguirre*, 947 F.2d at 453-54 ("The district court's decision will not be overturned absent a clear abuse of discretion."); *Kunkel v. Continental Cas. Co.*, 866 F.2d at 1273 (same); *Interdynamics, Inc. v. Wolf*, 698 F.2d at 167 ("the district court's decision to grant such relief will not be reversed in the absence of an abuse of discretion"); *Alsager v. District Court*, 518 F.2d at 1164 ("the district court abused its discre-

of review utilized, however, all of these cases hold (in contradistinction to the decision below) that a federal court's authority to dismiss declaratory judgment actions is constrained by certain objective criteria. *See* Pet. 7-15. Thus, the fact that *Wilton* adopted the abuse-of-discretion standard for appellate review does not eliminate the circuit conflicts identified by EMC, because those conflicts involve an entirely separate dispute over the extent to which appellate courts may announce objective criteria to guide district court discretion. Nothing in *Wilton* requires adoption of the Federal Circuit's approach to that disputed issue. *See* 115 S. Ct. at 2144 (appellate review "can . . . provide appropriate guidance to district courts").[5]

II. This Court's Precedents Conflict With The Court Of Appeals' Preference For Private Settlement In Lieu Of Judicial Resolution Of Patent Disputes

Effectively conceding its inability to reconcile the decision below with the federal policy in favor of judicial resolution of patent disputes, Norand simply denies the existence of any such policy. Opp. 15. But the language

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tion in denying declaratory relief"); *see also Nucor Corp.*, 28 F.3d at 577 n.4 ("[w]e need not decide the [standard of review] definitively in this case because, under either standard, the result is the same").

[5] Norand notes that many of the decisions cited by EMC "rel[y] on the writings of Professor Edwin Borchard," and argues that those cases have been overruled because *Wilton* disagreed with Professor Borchard's rejection of the abuse-of-discretion standard. Opp. 13. But disagreement with one portion of Professor Borchard's extensive writings hardly signifies disagreement with all of his other views, and *Wilton* actually cites Professor Borchard with approval. 115 S. Ct. at 2142, 2143; *see also Steffel v. Thompson*, 415 U.S. 452, 468 n.18 (1974).

of this Court's cases is unmistakably clear. *See* Pet. 15-18. Time after time, this Court has "encourage[d] authoritative testing of patent validity" and has "eliminat[ed] obstacles to suit by those disposed to challenge the validity of patents." *Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313, 344-45 (1971) (citing cases). Norand claims (Opp. 15), and the Federal Circuit held (Pet. App. 14a), that federal policy instead favors private resolution of patent disputes at the expense of attempts by alleged infringers to challenge patents in court, but that position simply cannot be squared with "the necessity of . . . keeping open the way for interested persons to challenge the validity of patents." *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 400 (1947).

Rather than acknowledge or respond to the unambiguous language and analysis employed in this Court's cases, Norand instead offers the absurd argument that all of those decisions are irrelevant because they arose in different factual situations. Opp. 15-19. Obviously, the crucial point of those decisions is the legal principle confirmed in each of them, namely, that federal policy prohibits legal rules that interpose the potential for private settlement of patent disputes as a bar to judicial resolution of questions of patent scope and validity. *E.g.*, *Blonder-Tongue*, 402 U.S. at 342-43 (rejecting mutuality rule because of its "tendency . . . to multiply the opportunities for holders of invalid patents to exact licensing agreements or other settlements from alleged infringers"). The particular circumstances in which this consistent legal principle has been applied in past cases are beside the point, because it is the legal principle itself that conflicts with the decision below and that necessitates this Court's review.

III. Norand Is Unable To Refute The Existence Of A Growing Decisional Conflict Over The Meaning And Scope Of The *Wilton* Decision

Norand freely concedes that the Federal Circuit read *Wilton* broadly to overrule all prior case law imposing limits on district court discretion to dismiss declaratory judgment actions. Opp. 19-20. According to Norand and the court below, *Wilton*'s discussion of the scope of district court discretion is fully applicable even in cases that, like this one, arise under federal law and involve no parallel proceedings in state court. *Id.* at 20-22; Pet. App. 13a.

This broad interpretation of *Wilton* runs squarely contrary to this Court's careful and repeated efforts to emphasize the limited scope of that decision. In stating the question presented, in describing the *Brillhart* decision, and in setting forth its holding, the Court consistently indicated that its analysis was dependent on the fact that parallel state court proceedings offered an alternative avenue for resolution of the underlying state-law issues. 115 S. Ct. at 2139, 2140-41, 2144. Indeed, the Court expressly "conclude[d] *only* that the District Court acted within its bounds in staying this action for declaratory relief *where parallel proceedings, presenting opportunity for ventilation of the same state law issues, were underway in state court.*" *Id.* at 2144 (emphasis added).

Thus, a broad reading of *Wilton* runs contrary to that decision's carefully limited language. But even if there were some basis for the Federal Circuit's sweeping interpretation, review would still be warranted in this case, because every other court of appeals to address the question has reached the opposite conclusion.

Norand's efforts to distinguish the cases cited by EMC are unpersuasive. For example, Norand errs in contending (Opp. 24) that *Youell v. Exxon Corp.*, 74 F.3d 373 (2d Cir.), *cert. denied*, 116 S. Ct. 2514 (1996), limited its rejection of *Wilton* to "the very specific case before

it." To the contrary, *Youell* clearly held that the *Wilton/Brillhart* standard applies only in cases arising under state law: "[T]he instant case was 'fundamentally distinct from *Wilton* because . . . federal law supplies a rule of decision. *Wilton*, by contrast, involved state law only." 74 F.3d at 376.

Likewise, Norand baldly asserts that *Maryland Cas Co. v. Knight*, 96 F.3d 1284 (9th Cir. 1996), "says nothing to support the position that *Wilton* . . . is limited to cases involving parallel state court proceedings." Opp. 25. What the *Maryland Casualty* court actually said, however, is directly inconsistent with Norand's characterization (and with the decision below): "The United States Supreme Court has expressly declined to rule on whether it is appropriate for a district court to exercise its discretion to decline jurisdiction" where "'there are no parallel state court proceedings.'" 96 F.3d at 1289 (citing *Wilton*). Norand's proffered distinctions of the remaining cases are equally unpersuasive.[6]

IV. The Questions Presented Are Important

Far from undermining the significance of this case, Norand's arguments serve only to confirm the dramatic scope of the decision below and the compelling need for Supreme Court review. Like the court of appeals below, Norand contends that *Wilton* effected a wholesale rework-

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[6] *See Sta-Rite Indus., Inc. v. Allstate Ins. Co.*, 96 F.3d 281, 287 (7th Cir. 1996) ("[t]he express holding in *Wilton* is that a district court has discretion, as defined in *Brillhart* . . ., to stay or dismiss a declaratory judgment action *during the pendency of parallel state court proceedings*") (emphasis added); *Jackson v. Culinary School of Wash., Ltd.*, 59 F.3d 254, 255 (D.C. Cir. 1995) (where court had originally "found only the single claimed defense arising from federal law suitable for declaratory resolution," the ruling on that federal law issue – unlike the court's ruling on the state-law issues – was left "unaffected" by *Wilton*).

ing of the standards governing declaratory relief in federal court and overruled *sub silentio* the countless prior appellate decisions that had adopted objective criteria to guide and constrain district court discretion. Other courts of appeals have reached the opposite conclusion. Just as certiorari was warranted in *Wilton* to clarify the appropriate standard for determining whether to assert jurisdiction over declaratory judgment actions arising under state law and involving parallel state-court proceedings, so plenary review is necessary here to resolve the circuit conflicts identified by EMC and overturn the Federal Circuit's sweeping revision of the standards governing the availability of declaratory relief in federal court.

CONCLUSION

The petition for a writ of certiorari should be granted.

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